

**Western Massachusetts Electric Company**  
**Docket No. DTE 05-91**

**Information Request DTE-01**  
**Dated: 12/12/2005**  
**Q- DTE1-001**  
**Page 1 of 1**

**Witness: Edward A. Davis**  
**Request from: Department of Telecommunications and Energy**

**Question:**

Please refer to Article I of the amended offer of settlement ("Settlement") approved by the Department in Western Massachusetts Electric Company, D.T.E. 04-106 (2004). Assume that there are no exogenous costs contained in the December 1, 2005, compliance filing ("Compliance Filing") to D.T.E. 04-106. Please :

- (a) demonstrate how WMECo's Compliance Filing results in rates that are lower than the rates in effect prior to the Department's approval of the Settlement in D.T.E. 04-106;
- (b) provide new rate tariffs for the Compliance Filing that comply with the Settlement but exclude recovery of exogenous costs; and
- (c) recalculate Attachment 3 of the Compliance Filing using calendar year 2004 billed sales, and explain in detail why the Company used billed sales for the twelve-month period ended August 1997. Provide all workpapers, calculations, and assumptions.

**Response:**

- (a) Please refer to the attached copy of Exhibit B - 2006 Rate in D.T.E. 04-106, Attachment 4, which provides a comparison that demonstrate that rates are lower than the rates in effect prior to the Department's approval of the Settlement in D.T. E. 04-106. As a further demonstration, please refer to the Compliance Filing, Attachment 4, which updates the Company's filing in D.T.E. 04-106 to reflect the default service adder from D.T.E. 03-88F.
- (b) Please refer to the attached proposed rates and redlined rates.
- (c) The Company has used the billing determinants for the twelve month period ended August 1997 in preparing and obtaining approval for all of its compliance filings with the Department since their initial approval in setting rates in 1999. Calendar year 2004 billing units are not readily available for use in recalculating Attachment 3.

\* Bulk material provided.

**Witness: Richard A. Soderman  
Request from: Department of Telecommunications and Energy**

**Question:**

Please refer to the Settlement at Article V and Department Letter re: Annual Returns (April 3, 2003). Provide the Company's return on equity calculation with all relevant information, workpapers, calculations, and assumptions required to demonstrate operation of the earning sharing mechanism.

**Response:**

The question does not specify the period for which a return on equity (ROE) calculation is to be provided. The Settlement entered into last year and approved by the Department contains an earnings sharing mechanism for calendar years 2005 and 2006. The Company does not have a return on equity calculation for 2005 because the actual period has not ended and the data needed is thus not available. The data needed to perform the DTE prescribed calculation should be available sometime during the first quarter of 2006. However, the Company does not have reason to believe at present that the ROE for 2005 will lie outside the deadband of 7%-11%. In order to be as helpful as possible, the Company attaches the ROE calculation for the 12 months ending December 31, 2004. This calculation has been performed as prescribed by the Department in its April 3, 2003 letter regarding annual returns. As noted on page 2, the information used to calculate the 2004 ROE is taken from referenced pages of the 2004 FERC Form 1. The ROE shown for 2004 is 8.78%. Please note that the recovery of exogenous costs, as requested by the Company in its December 1, 2005 filing, has no bearing on ROE for 2005

**WESTERN MASSACHUSETTS ELECTRIC COMPANY  
CALCULATION OF RETURN ON EQUITY  
2004**

Net Utility Income Available for Common Shareholders (A)	<b>Total</b> 12,691,173
Total Utility Common Equity (B)	144,523,689
Net Income ROE	8.78%

<b>(A) Net Utility Income Available for Common Shareholders:</b>				<b>Total</b>
Net Utility Operating Income (pg 117, ln 27)				27,139,107
Plus: Amortization of Acquisition Premium				-
Reserve for Service Quality Penalties				-
Less: Net Interest Charges (pg 117, ln 70)			15,769,411	
Total Dividends Declared - Preferred Stock (page 118, line 29)			-	
Subtotal			15,769,411	
Total Utility Plant as % of Total Utility Plant and Other Property and Investments:	Balance @			
	End of Year			
Total Utility Plant (pg 110, ln 4)	652,244,571	91.62%	91.62%	
Total Other Property and Investments (pg 110, ln 32)	59,628,155	8.38%		
Total Utility Plant and Other Property and Investments	711,872,726	100.00%		
			14,447,934	14,447,934
<b>Net Utility Income Available for Common Shareholders</b>				<b>12,691,173</b>

				Balance @
				Avg.
<b>(B) Total Utility Common Equity:</b>	Beq. Of Year	End of Year		
Total Proprietary Capital (pg 112, ln 16)	152,003,377	164,472,288		158,237,833
Plus Discount on Capital Stock applicable to Preferred Stock (pg 112, ln 9)	-	-		-
Capital Stock Expense applicable to Preferred Stock (pg 112, ln 10)	-	-		-
Less: Preferred Stock Issued (pg 112, ln 3)	-	-		-
Unappropriated Undistributed Retained Earnings (pg 112, ln 12)	764,391	226,250		495,321
Subtotal	151,238,986	164,246,038		157,742,512
				91.62%
<b>Total Utility Common Equity</b>				<b>144,523,689</b>

**Witness: Michael J. Mahoney; Robert A. Baumann**  
**Request from: Department of Telecommunications and Energy**

**Question:**

Please refer to Compliance Filing, Attachment 8, at 1. Provide the Company's method and assumptions for determining all estimated and forecasted amounts. In addition, explain why New England Power Pool and Independent System

Operator - New England expenses forecasted for 2006 are significantly higher than the same expenses as estimated during 2005. Provide all supporting workpapers and calculations.

**Response:**

Below is the Company's explanation of the New England Power Pool (NEPOOL) and Independent System Operator - New England (ISO-NE) estimated expenses included in Attachment 8, Page 1.

**NEPOOL Expenses**

The projected increase in 2006 estimated Regional Network Service (RNS) expenses over the 2005 estimated expenses of approximately \$2.65 million is the result of higher estimated RNS unit rates and load projections in 2006. The reason for higher RNS rates is based on the inclusion of 2005 projected New England Pooled Transmission Facilities (PTF) capital additions which are estimated to be \$226 million. These new projected PTF facilities have been included in the 2006 RNS revenue requirement thus increasing the 2006 RNS rate. Load increases relate to increases in the transmission services peak demand loads.

The methodology for calculating the estimates for 2005 and 2006 RNS expense is based on the 2004 base revenue requirement multiplied by the forecasted sales load. As mentioned above the 2006 RNS rate was also adjusted to include the PTF capital additions to be recovered beginning 2006. The Scheduling and Dispatch (S&D) expenses are based on June 2005 rates multiplied by forecasted load.

**ISO-NE Expenses**

The projected increase of approximately \$6 million in ISO- NE costs for 2006 over 2005 is due mainly to the increase in Reliability Must Run (RMR) charges and Special Constrained Resource (SCR) charges. The FERC approved SCR charges began to be billed to WMECO in July 2005, therefore calendar year 2005 reflects only half a year of costs, while 2006 reflects a full year of costs. The FERC approved RMR charges for Consolidated Edison's West Springfield unit 3 and Berkshire Power's Agawam unit began to be billed to WMECO in September 2005, therefore calendar year 2005 does not reflect a full year of charges for these generators. Also, the Company has included projected 2006 RMR costs for Consolidated Edison's ICU's that have requested a reliability determination from the ISO, but have not yet filed an RMR contract with the FERC since the Company expects these determinations will be approved and costs will be billed in 2006.

See page 3 for support for the 2006 RMR and SCR charges.

Calculation of NEPOOL Projection

RNS	Monthly Load MW	Annual RNS Rate/kWh	Monthly RNS Rate	(\$000) Monthly Expense
January 2006	741	18.39	1.5325	\$ 1,136
February	721	18.39	1.5325	1,105
March	674	18.39	1.5325	1,033
April	594	18.39	1.5325	910
May	742	18.39	1.5325	1,137
June	801	18.39	1.5325	1,228
July	818	19.14	1.595	1,305
August	807	19.14	1.595	1,287
September	730	19.14	1.595	1,164
October	631	19.14	1.595	1,006
November	642	19.14	1.595	1,024
December	704	19.14	1.595	1,123
Total RNS	8,605			\$ 13,458

S&D	Monthly Load MW	Annual S&D Rate/kWh	Monthly S&D Rate	(\$000) Monthly Expense
January 2006	741	0.966	0.0805	\$ 60
February	721	0.966	0.0805	58
March	674	0.966	0.0805	54
April	594	0.966	0.0805	48
May	742	0.966	0.0805	60
June	801	0.966	0.0805	64
July	818	0.966	0.0805	66
August	807	0.966	0.0805	65
September	730	0.966	0.0805	59
October	631	0.966	0.0805	51
November	642	0.966	0.0805	52
December	704	0.966	0.0805	57
Total S&D	8,605			\$ 693

**WMECO  
RMR and SCR  
2006**

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RMR		Amount
ConEd WS 3 unit- annual fixed Revenue requirements - FERC approved		8,224,000
WMECO share of reliability region load	x	23%
WMECO share of Fixed Revenue Requirements		1,892,000
Estimated inframarginal revenues-annual	+	(416,000)
Projected WS 3 costs	A	1,476,000
Berkshire Agawam- annual fixed Revenue requirements - FERC approved		30,200,000
WMECO share of reliability region load	x	23%
WMECO share of Fixed Revenue Requirements		6,946,000
Estimated inframarginal revenues-annual	+	(6,946,000)
Projected Agawam costs	B	0
ConEd ICU's MW claimed capability - determination requested		158
Estimated cost per kw	x \$	8
Kwhs per MWH	x	1,000
mos. Per year	x	12
WMECO share of reliability region load	x	23%
Estimated WMECO share of Fixed RMR costs-monthly		3,491,000
Estimated inframarginal revenues-monthly (appx 10%)	+	(349,000)
Projected ConEd ICU costs	C	3,142,000
Projected 2006 costs net of inframarginal revenues	A+B+C	4,618,000

SCR	Amount
January 2006	500,000
February 2006	500,000
March 2006	300,000
April 2006	300,000
May 2006	300,000
June 2006	500,000
July 2006	468,000
August 2006	468,000
September 2006	268,000
October 2006	268,000
November 2006	268,000
December 2006	468,000
	4,608,000

Note: SCR was forecast by month based on actual experience in second half of 2005 .

**Western Massachusetts Electric Company**  
**Docket No. DTE 05-91**

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**Dated: 12/12/2005**  
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**Witness: Michael J. Mahoney**  
**Request from: Department of Telecommunications and Energy**

**Question:**

Please refer to the Compliance Filing, Attachment 8, at 2. For those transmission expenses that were forecasted, on what date will the forecasted transmission expenses become actual expenses?

**Response:**

Attachment 8, page 2 originally reflected actual revenue and expenses through September 2005. Pages 2 and 3 attached have been updated to reflect actual data through November 2005 based on the Company's books of record. Actual December 2005 transmission revenue and expenses will be available after January 1, 2006. The reduction in the Company's 2005 under-recovery is due primarily to higher revenue for October and November 2005 versus the Company's estimated revenue.

Also, page 4 (2006) has been revised to removed ISO Schedule 2 expenses of \$29,000 as these costs were inadvertently reflected in the Transmission Tracker. These costs are currently being reflected in the Company's Transition Charge.

**The Western Massachusetts Electric Company**  
**Retail Transmission Tracker**  
**(Whole Dollars)**

	<u>2005 (E)</u>	<u>2006 Budget</u>	
<b><u>Revenues</u></b>			
Transmission Revenues	\$ 18,369,101	\$ 16,950,630	(A)
<b>Total Revenues</b>	<u>\$ 18,369,101</u>	<u>\$ 16,950,630</u>	
<b><u>NU Tariff Expenses</u></b>			
Local Network Service	\$ 4,173,684	\$ 3,360,468	
Local Network Service - Credit	(B) (116,466)	-	
Local Network Service - Sub-Total	<u>\$ 4,057,218</u>	<u>\$ 3,360,468</u>	
<b><u>NEPOOL Expenses</u></b>			
Regional Network Service	\$ 11,955,659	\$ 13,457,914	
Regional Network Service - Credit	(B) (780,670)	-	
Regional Network Service - Sub-Total	<u>\$ 11,174,989</u>	<u>\$ 13,457,914</u>	
Scheduling and Dispatch Service	640,610	692,705	
NEPOOL Expenses - Sub-Total	<u>\$ 11,815,599</u>	<u>\$ 14,150,619</u>	
<b><u>ISO Expenses</u></b>			
Other Power Expenses - NEPOOL	\$ (6,211)	\$ -	
ISO Schedule 1	596,464	571,000	
ISO Schedule 3	12	-	
Black Start	262,102	280,000	
ISO- Load Response Program	97,355	-	
Reliability Must Run (RMR)	791,006	4,618,000	
Special Constraint Resource (SCR)	2,779,961	4,608,000	
VAR Support/NOATT Sch. 2	3,400,783	4,015,000	
ISO Expenses - Sub-Total	<u>\$ 7,921,472</u>	<u>\$ 14,092,000</u>	
<b>Total Expenses</b>	<u>\$ 23,794,289</u>	<u>\$ 31,603,087</u>	
<b>Total Over/(Under) Recovery</b>	\$ (5,425,188)	\$ (14,652,457)	
<b>Plus: Prior Year Over/(Under) Recovery</b>	(C) (344,802)	(5,769,990)	
<b>Cumulative Over/(Under) Recovery</b>	<u>\$ (5,769,990)</u>	<u>\$ (20,422,447)</u>	
<b>Cumulative Under-recovery</b>		\$ 20,422,447	
<b>Forecasted 2006 Sales kWh</b>		3,905,675,000	
<b>Exogenous Cost Factor (D)</b>		<u>\$ 0.00523</u>	/kWh

(A) Forecasted KWH Sales Multiplied by DTE 04-106 Settlement Rate of .00434 (.00323+.00111)  
(B) 2005 True-Up for Estimated Refund  
(C) 2005 Balance per DTE 05-10 Transmission Tracker Reconciliation  
(D) The Exogenous Cost Factor is based on Article VI, WMECO Rate Case Settlement DTE 04-106  
(E) Based on 11 months of actual and 1 month of forecasted data.

<b>Total Operating Revenues (12 months ended 9/30/05)</b>	\$ 397,276,473
<b>Additional Rate Relief in 2006 (Per DTE 04-106)</b>	3,000,000
<b>Total Adjusted Operating Revenues</b>	<u>400,276,473</u>
<b>Exogenous Cost Threshold Factor (D)</b>	0.001253
<b>Exogenous Cost Threshold</b>	<u>\$ 501,546</u>



**2005 11 MONTHS ACTUAL & 1 MONTH ESTIMATED WMECO RETAIL TRANSMISSION REVENUES & EXPENSES**

	<b>January-05</b>	<b>February-05</b>	<b>March-05</b>	<b>April-05</b>	<b>May-05</b>	<b>June-05</b>	<b>July-05</b>	<b>August-05</b>	<b>September-05</b>	<b>October-05</b>	<b>November-05</b>	<b>December-05</b>	<b>TOTAL 2005</b>
	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>ACT</b>	<b>FCST</b>	
<b>Revenues</b>													
Transmission Revenues - Billed	1,404,522	1,605,621	1,501,588	1,473,245	1,413,219	1,549,034	1,732,227	1,768,557	1,619,695	1,463,539	1,491,877	1,177,464	18,200,589
Transmission Revenues - Unbilled	132,488	(54,219)	98,365	(158,097)	35,470	127,956	6,871	(35,487)	(88,537)	84,357	19,345	-	168,512
<b>Total Revenues</b>	<b>1,537,011</b>	<b>1,551,402</b>	<b>1,599,953</b>	<b>1,315,148</b>	<b>1,448,689</b>	<b>1,676,990</b>	<b>1,739,097</b>	<b>1,733,070</b>	<b>1,531,158</b>	<b>1,547,896</b>	<b>1,511,222</b>	<b>1,177,464</b>	<b>18,369,101</b>
<b>NU Tariff Expenses</b>													
Local Network Service	348,420	351,207	359,388	360,480	360,602	577,943	303,770	302,898	303,100	303,668	304,708	297,500	4,173,684
Local Network Service - Credit	(12,941)	(12,941)	(12,941)	(12,941)	(12,941)	(12,941)	(12,941)	(12,941)	(12,941)	-	-	-	(116,466)
Local Network Service - Sub-Total	335,479	338,266	346,447	347,539	347,661	565,002	290,829	289,957	290,159	303,668	304,708	297,500	4,057,218
<b>NEPOOL Expenses</b>													
Regional Network Service	925,339	909,799	869,571	907,237	778,840	734,946	1,254,966	1,328,461	1,271,434	1,147,896	960,670	866,500	11,955,659
Regional Network Service - Credit	(86,741)	(86,741)	(86,741)	(86,741)	(86,741)	(86,741)	(86,741)	(86,741)	(86,741)	-	-	-	(780,670)
Regional Network Service - Sub-Total	838,597	823,058	782,830	820,496	692,099	648,205	1,168,225	1,241,720	1,184,693	1,147,896	960,670	866,500	11,174,989
Scheduling and Dispatch Service	54,711	53,782	48,561	51,009	43,446	40,920	62,999	66,280	63,598	57,523	48,281	49,500	640,610
NEPOOL Expenses - Sub-Total	893,308	876,840	831,390	871,505	735,545	689,126	1,231,224	1,308,000	1,248,291	1,205,418	1,008,950	916,000	11,815,599
<b>ISO Expenses</b>													
Other Power Expenses - NEPOOL	-	-	(9)	(45)	(5,174)	(1,309)	499	(57)	(26)	(51)	(40)	-	(6,211)
ISO Schedule 1	43,183	52,811	51,709	46,862	48,385	40,725	38,515	57,199	60,506	57,675	51,668	47,225	596,464
ISO Schedule 3	0	0	1	0	8	0	0	(6)	7	1	0	-	12
Black Start	22,086	22,405	23,716	23,758	24,217	23,981	22,462	20,484	20,116	20,129	20,690	18,056	262,102
ISO- Load Response Program	-	-	-	-	-	-	-	13,167	38,232	32,189	13,767	-	97,355
Reliability Must Run (RMR)	-	-	-	-	-	-	-	-	13,189	527,482	127,336	123,000	791,006
Special Constraint Resource (SCR)	-	-	-	-	-	-	409,141	557,814	551,665	488,162	273,179	500,000	2,779,961
VAR Support/NOATT Sch. 2	428,589	214,130	153,328	192,743	397,389	567,434	554,726	242,813	215,314	65,307	144,801	224,209	3,400,783
ISO Expenses - Sub-Total	493,859	289,346	228,744	263,319	464,826	630,832	1,025,344	891,414	899,004	1,190,894	631,400	912,490	7,921,472
<b>Total Expenses</b>	<b>1,722,646</b>	<b>1,504,452</b>	<b>1,406,581</b>	<b>1,482,364</b>	<b>1,548,032</b>	<b>1,884,960</b>	<b>2,547,397</b>	<b>2,489,372</b>	<b>2,437,454</b>	<b>2,699,980</b>	<b>1,945,058</b>	<b>2,125,990</b>	<b>23,794,289</b>
<b>Total Over/(Under) Recovery</b>	<b>(185,636)</b>	<b>46,950</b>	<b>193,372</b>	<b>(167,216)</b>	<b>(99,344)</b>	<b>(207,970)</b>	<b>(808,300)</b>	<b>(756,302)</b>	<b>(906,296)</b>	<b>(1,152,084)</b>	<b>(433,836)</b>	<b>(948,526)</b>	<b>(5,425,188)</b>

\* - Actual LNS and RNS Credits are determined on a quarterly basis; therefore, Oct-Dec 2005 will be available after 12/31/05.



2006 BUDGETED WMECO TRANSMISSION TRACKER

	January-06	February-06	March-06	April-06	May-06	June-06	July-06	August-06	September-06	October-06	November-06	December-06	TOTAL 2006
<b>Revenues</b>													
Total Transmission Revenues	1,567,207	1,386,010	1,437,140	1,285,096	1,304,160	1,364,181	1,516,307	1,518,194	1,356,231	1,346,615	1,349,936	1,519,552	16,950,630
<b>NU Tariff Expenses</b>													
Local Network Service	277,796	278,206	278,480	278,719	279,547	280,463	281,428	281,364	281,200	281,274	281,097	280,894	3,360,468
Local Network Service - Credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Network Service - Sub-Total	277,796	278,206	278,480	278,719	279,547	280,463	281,428	281,364	281,200	281,274	281,097	280,894	3,360,468
<b>NEPOOL Expenses</b>													
Regional Network Service	1,135,583	1,104,933	1,032,905	910,305	1,137,115	1,227,533	1,304,710	1,287,165	1,164,350	1,006,445	1,023,990	1,122,880	13,457,914
Regional Network Service - Credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional Network Service - Sub-Total	1,135,583	1,104,933	1,032,905	910,305	1,137,115	1,227,533	1,304,710	1,287,165	1,164,350	1,006,445	1,023,990	1,122,880	13,457,914
Scheduling and Dispatch Service	59,651	58,041	54,257	47,817	59,731	64,481	65,849	64,964	58,765	50,796	51,681	56,672	692,705
NEPOOL Expenses - Sub-Total	1,195,234	1,162,974	1,087,162	958,122	1,196,846	1,292,014	1,370,559	1,352,129	1,223,115	1,057,241	1,075,671	1,179,552	14,150,619
<b>ISO Expenses</b>													
Other Power Expenses - NEPOOL	-	-	-	-	-	-	-	-	-	-	-	-	-
ISO Schedule 1	47,583	47,583	47,583	47,583	47,583	47,583	47,583	47,583	47,583	47,583	47,583	47,583	571,000
ISO Schedule 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Black Start	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333	280,000
ISO- Load Response Program	-	-	-	-	-	-	-	-	-	-	-	-	-
Reliability Must Run (RMR)	384,833	384,833	384,833	384,833	384,833	384,833	384,833	384,833	384,833	384,833	384,833	384,833	4,618,000
Special Constraint Resource (SCR)	500,000	500,000	300,000	300,000	300,000	500,000	468,000	468,000	268,000	268,000	268,000	468,000	4,608,000
VAR Support/NOATT Sch. 2	334,583	334,583	334,583	334,583	334,583	334,583	334,583	334,583	334,583	334,583	334,583	334,583	4,015,000
ISO Expenses - Sub-Total	1,290,333	1,290,333	1,090,333	1,090,333	1,090,333	1,290,333	1,258,333	1,258,333	1,058,333	1,058,333	1,058,333	1,258,333	14,092,000
<b>Total Expenses</b>	2,763,363	2,731,513	2,455,975	2,327,174	2,566,726	2,862,810	2,910,320	2,891,826	2,562,648	2,396,848	2,415,101	2,718,779	31,603,087
<b>Projected Over/(Under) Recovery</b>	(1,196,157)	(1,345,503)	(1,018,836)	(1,042,078)	(1,262,566)	(1,498,629)	(1,394,013)	(1,373,633)	(1,206,417)	(1,050,233)	(1,065,165)	(1,199,227)	(14,652,457)

**Western Massachusetts Electric Company**  
**Docket No. DTE 05-91**

**Information Request DTE-01**  
**Dated: 12/12/2005**  
**Q- DTE1-005**  
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**Witness: Edward A. Davis**  
**Request from: Department of Telecommunications and Energy**

**Question:**

Please refer to Compliance Filing, Attachment 3, at line 30. Are the proposed distribution rates designed to increase the Company's distribution revenues by \$2,234,239? If yes, explain why the Company did not seek recovery of the entire \$3.0 million as stipulated in Article II of the Settlement. If no, provide the increase in distribution revenues that the proposed rates are designed to recover, with all supporting workpapers and calculations.

**Response:**

The revenue difference of \$2,234,239 shown in Attachment 3 of the Compliance Filing is based on applying the difference between 2005 and 2006 approved Settlement Distribution Rate Increases (i.e., .070 cents/kWh, as shown on line 8, Attachment 3, Compliance Filing) to the 1997 sales of 3,192,878 MWH shown in Attachment 3 of the Compliance Filing. Applying this difference in approved Settlement rates to 2006 sales of 4,172,100 MWH results in an increase to distribution revenue of \$3.0 million, consistent with the Settlement.